

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA PRIORITY
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

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E.O. 11652: N/A

TAGS: ETEL, CA

SUBJECT: TRANSBORDER BROADCASTERS' 301 COMPLAINT

REF: STATE 215053 AND 216709

1. THE FOLLOWING IS TEXT OF PRESS STATEMENT WHICH WILL BE
MADE TOMORROW AT 10:00 IN CONNECTION WITH THE FILING OF A
COMPLAINT UNDER SECTION 301 OF THE TRADE ACT OF 1974:

BEGIN TEXT

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STATEMENT BY LESLIE G. ARRIES, JR. FOR
US BORDER TELEVISION STATIONS
AUGUST 29, 1978

MY NAME IS LELIE G. ARRIES, JR. I AM PRESIDENT OF BUFFALO
BROADCASTING CO., INC., LICENSEE OF STATION WIVB-TV, IN
BUFFALO, NEW YORK. I AM ACCOMPANIED BY RICHARD R. WOLFSON,

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL OF WOMETCO ENTERPRISES, INC., THE PARENT COMPANY OF KVOS TELEVISION CORPORATION, LICENSEE OF KVOS-TV, IN BELLINGHAM, WASHINGTON.

WE APPRECIATE THE OPPORTUNITY TO DISCUSS WITH YOU A VITAL SUBJECT -- THE MISTREATMENT OF US TELEVISION STATIONS BY

CANADA AND OUR PROPOSED RESPONSES TO CANADA'S UNREASONABLE BEHAVIOR.

TODAY THE US BORDER TELEVISION STATIONS FILED WITH AMBASSADOR ROBERT STRAUSS, THE US SPECIAL REPRESENTATIVE FOR TRADE A COMPLAINT UNDER SECTION 301 OF THE TRADE ACT OF 1974, WHICH ALLEGES THAT A SECTION OF THE INCOME TAX ACT OF CANADA, OTHERWISE KNOWN AS BILL C-58, IS A DISCRIMINATORY AND UNREASONABLE BARRIER RESTRICTING US COMMERCE. THE COMPLAINT REQUESTS THE PRESIDENT TO IMPOSE DUTIES OR OTHER IMPORT RESTRICTIONS ON THE PRODUCTS OR SERVICES OF CANADA. THESE RESTRAINTS WOULD BE REMOVED ONLY WHEN THE DISCRIMINATORY TAXING SITUATION IS SATISFACTORILY RESOLVED. WE HAVE TAKEN THIS ACTION AFTER YEARS OF UNSUCCESSFUL PRIVATE AND GOVERNMENT EFFORTS TO SOLVE THIS PROBLEM.

SPECIFICALLY, BILL C-58, WHICH WAS IMPLEMENTED ON SEPTEMBER 21, 1976, DENIES CANADIAN BUSINESS THE RIGHT TO DEDUCT THE COST OF ADVERTISING SERVICES AS A BUSINESS LIMITED OFFICIAL USE

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EXPENSE IF THE SERVICES ARE PURCHASED FROM A US TELEVISION STATION AND DIRECTED PRIMARILY TO A MARKET IN CANADA. OF COURSE, AN INCOME TAX DEDUCTION IS STILL PERMITTED FOR ADVERTISEMENTS PLACED ON A CANADIAN-LICENSED BROADCASTING STATION. US-ORIGINATED ADVERTISEMENTS ARE THUS, IN EFFECT, SUBJECTED TO A HIGHER TAX RATE SOLELY BY REASON OF BEING IMPORTED. THE EFFECT OF BILL C-58 IS ROUGHLY EQUIVALENT TO THE IMPOSITION OF A 100 PERCENT TARIFF ON CROSS-BORDER ADVERTISING.

AS OUR SECTION 301 COMPLAINT POINTS OUT, THE US BORDER TELEVISION STATIONS ARE SUFFERING SERIOUS INJURY FROM BILL C-58. WE STAND TO LOSE APPROXIMATELY \$20 MILLION IN ADVERTISING REVENUES ANNUALLY. CANADIAN ADVERTISING ON US BORDER STATIONS HAS ALREADY DROPPED FROM \$18.9 MILLION IN 1975 TO \$9.2 MILLION IN 1977 -- MORE THAN 50 PERCENT. THE FULL REVENUE IMPACT DOES NOT BECOME EFFECTIVE UNTIL THIS YEAR. THUS WE CAN EXPECT AFTER 1978 EVEN A MORE DRAMATIC REDUCTION.

CANADA SHOULD PAY FOR THE PROGRAMMING IT WANTS. BILL C-58 PERMITS CANADA TO ENJOY US TELEVISION WHILE IMPAIRING OUR

ABILITY TO EARN FAIR COMPENSATION IN THE OPEN, COMPETITIVE MARKETPLACE. THIS IS A CLASSIC CASE OF UNJUST ENRICHMENT.

THIS IS THE LAST STEP IN A LONG PROCESS. THE US HAS UNSUCCESSFULLY RAISED THIS ISSUE ON OUR BEHALF IN OTHER FORMS. THEY ARE:

-- SENATE RESOLUTION 152, ADOPTED SEPTEMBER 6, 1977,

CALLING ON THE PRESIDENT TO NEGOTIATE A SOLUTION TO THIS PROBLEM;

-- AMBASSADOR STRAUSS RAISED THE ISSUE AT GENEVA TRADE TALKS, MARCH, 1978;
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-- US TREASURY DEPARTMENT WHEN NEGOTIATING ON A NEW US-CANADIAN TAX TREATY URGED THE ELIMINATION OF C-58. THE CANADIAN RESPONSE WAS THAT IT WAS "NON-NEGOTIABLE";

-- US COMMERCE SECRETARY JUANITA KREPS FORCEFULLY RAISED THE ISSUE WITH THE CANADIAN FINANCE MINISTER.

MORE RECENTLY, WITHIN THE LAST TWO WEEKS THE CANADIAN GOVERNMENT OFFICIALLY RESPONDED TO A US STATE DEPARTMENT NOTE OF MAY 23, 1978, PROTESTING BILL C-58. THEY REJECTED IT OUTRIGHT.

ADDITIONALLY, THE SENATE REACTING IN PART TO CANADA'S POSTURE ON THIS ISSUE, IRREVOCABLY LINKED BILL C-58 TO CONSIDERATION OF CANADA'S REQUEST FOR RELIEF FROM SECTION 602 OF OUR TAX LAWS. THAT SECTION LIMITS THE DEDUCTABILITY OF FOREIGN CONVENTION BUSINESS EXPENSES. WE WILL CONTINUE TO URGE CONGRESS TO RESIST A CANADIAN EXEMPTION ON FOREIGN CONVENTIONS UNTIL WE, THE BORDER STATIONS, RECEIVE JUST COMPENSATION FOR OUR BROADCASTING SERVICES.

WHAT DO WE HOPE TO OBTAIN FROM OUR SECTION 301 COMPLAINT? WE HOPE THE GOVERNMENT OF CANADA WILL NEGOTIATE A REASONABLE OVERALL SOLUTION TO THIS AND OTHER PROBLEMS FACING US BORDER STATIONS, ON A BILATERAL BASIS.

WE APPRECIATE THE DIFFICULTIES SECTION 301 COMPLAINTS CAN CREATE FOR TRADE RELATIONS, ESPECIALLY WITH OUR GOOD NEIGHBOR TO THE NORTH. WE HAVE THEREFORE DEVELOPED POSITIVE COMPROMISE PROPOSALS THAT MIGHT BE MUTUALLY ACCEPTABLE FOR THE UNITED STATES AND CANADA. NEVERTHELESS, WE WILL PURSUE OUR LEGAL REMEDY UNDER SECTION 301,
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LINK THE FOREIGN CONVENTIONS AND BROADCASTING ISSUES,
AND TAKE SUCH OTHER ACTIONS AS MAY BE REQUIRED TO END THIS
INTOLERABLE DISCRIMINATION AGAINST US BROADCASTERS.

THANK YOU VERY MUCH. WE WOULD BE GLAD TO ANSWER ANY
QUESTIONS.

END TEXT.

2. BACKGROUND MATERIAL PROVIDED BY THE BROADCASTERS IS
BEING POUCHED TO OTTAWA AND TORONTO.

3. BEGIN LIMITED OFFICIAL USE: WHILE THIRTEEN STATIONS
ARE JOINING IN THE COMPLAINT, WE HAVE BEEN INFORMED THAT
THE CAPITAL CITIES AND TAFT STATIONS IN BUFFALO HAVE
REFUSED TO BE ASSOCIATED WITH IT. CHARLES GOODELL
REPRESENTING CAPITAL CITIES SAID THAT THEY CONTINUE TO BE
INTERESTED IN AN AMICABLE AND NON-CONFRONTATIONAL RESOLU-
TION OF THIS ISSUE, WHICH THEY BELIEVE MIGHT BE POSSIBLE
AFTER THE NEXT FEDERAL ELECTION. HE EXPLAINED THAT SINCE
THEY WERE LESS DEPENDENT ON THE CANADIAN MARKET, THEY
WERE IN A LESS DESPERATE SITUATION THAN SOME OTHER BORDER
STATIONS, PARTICULARLY KVOS-TV IN BELLINGHAM. CHRISTOPHER

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